

## Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY AF/W:EWLOLLIS/MPH  
APPROVED BY AF:WESCHAUFEELE  
D:RPOATS  
S/S:MR.SEBASTIAN  
EB/ORF/FSE:GRASE

-----311118Z 039367 /14

R 302127Z DEC 76  
FM SECSTATE WASHDC  
TO AMEMBASSY LAGOS

C O N F I D E N T I A L STATE 313626

EXDIS

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJECT: POSSIBLE PURCHASE OF NIGERIAN OIL FOR STRATEGIC  
PETROLEUM RESERVE

REFS: A) STATE 289231 EXDIS, B) LAGOS 13537 EXDIS,  
C) MEMO TO THE FILES BY EMBOFF PEASHOCK DATED  
DECEMBER 13.

1. DEPARTMENT HAS RECEIVED NO REPLY TO DEMARCHE REPORTED  
REF A. NIGERIANS APPARENTLY CHOSE TO IGNORE OUR TENTA-  
TIVE PROPOSAL AND THEIR ACTION AT OPEC MINISTERIAL MEETING  
IN DOHA DECEMBER 15-17 IMPLICITLY REJECTED OUR KEY CONDI-  
TION.

2. ONLY REFERENCES TO THE PROPOSAL SUBSEQUENT TO THE  
ACTING SECRETARY'S DEMARCHE ON NOVEMBER 24 HAVE BEEN AT  
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YOUR MEETING WITH COMMISSIONER BUHARI NOVEMBER 30 (REF B)  
AND AT MEETING OF EMBOFF AND AF/W DIRECTOR SMITH WITH  
DEPUTY DIRECTOR MEA ECONOMIC DEPARTMENT ON DECEMBER 8  
(REF C). IF RPT IF NIGERIANS RAISE SUBJECT AGAIN, YOU  
MAY REPLY THAT LACK OF TIMELY POSITIVE RESPONSE HAS PRE-  
CLUDED FURTHER ACTION ON THIS SUBJECT. YOU MAY ALSO

EXPLAIN THAT PRESENT OUTLOOK IS FOR FEA CONTRACTING  
THROUGH AGENCY OF US OIL COMPANIES, RATHER THAN DIRECTLY

WITH EXPORTING GOVERNMENTS, TO SUPPLY SPR. THIS MAY  
EXPAND U.S. MARKET FOR NIGERIAN CRUDE.

3. BACKGROUND FOR USE AT EMBASSY'S DISCRETION. FEA  
ADMINISTRATOR ZARB SUBMITTED STRATEGIC PETROLEUM RESERVE  
PLAN TO CONGRESS DECEMBER 15. PLAN RECOMMENDS PROCURE-  
MENT CRITERIA WHICH WILL FAVOR CONTRACTING THROUGH AGENCY  
OF U.S. COMPANIES IN ORDER MINIMIZE FISCAL COST, I.E. TO  
TAKE ADVANTAGE OF PRICE CONTROLS AND ENTITLEMENT SCHEME.  
UNLESS REJECTED BY CONGRESS, THIS PLAN WOULD ALMOST CER-  
TAINLY PRECLUDE GOVERNMENTS FROM OFFERING OIL AT COM-  
PETITIVE PRICES. FEA DECISION TO CONSUME ALL ALASKAN OIL  
IN US AND CONTINUING DECLINE OF CANADIAN EXPORTS OF LIGHT  
OIL TO US HAVE LED FEA TO LIMIT SPR TO LIGHT CRUDE, I.E.  
32 DEGREES API AND HIGHER. HENCE SPR PURCHASES, COM-  
MENCING IN MID-1977, WILL STRENGTHEN DEMAND FOR LIGHT  
CRUDE AND FMG MAY BENEFIT, EVEN THOUGH FEA CONTRACTS WILL  
NOT BE DIRECTLY WITH NIGERIAN GOVERNMENT. FEA PLANS TO  
PURCHASE 290,000 B/D BETWEEN JULY 1, 1977, AND DECEMBER 31,  
1978, AND 220,000 B/D FOR THREE YEARS THEREAFTER.

ROBINSON

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NNN

## Message Attributes

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**To:** LAGOS  
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